

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4508-BD

Financing Agreement

(Siddhirganj Peaking Power Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 13, 2008

Public Disclosure Authorized

CREDIT NUMBER 4508 - BD

FINANCING AGREEMENT

AGREEMENT dated November 13, 2008, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to two hundred twenty-two million six hundred thousand Special Drawing Rights (SDR 222,600,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 1 and August 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) cause Parts A & D1 of the Project to be carried out by EGCB, in accordance with the provisions of Article IV of the General Conditions and the EGCB Project Agreement; (b) cause Parts B & D2 of the Project to be carried out by PGCB, in accordance with the provisions of Article IV of the General Conditions and the PGCB Project Agreement; and (c) cause Parts C & D3 of the Project to be carried out by GTCL, in accordance with the provisions of Article IV of the General Conditions and the GTCL Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The EGCB Charter has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EGCB to perform any of its obligations under the EGCB Project Agreement.
 - (b) The PGCB Charter has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PGCB to perform any of its obligations under the PGCB Project Agreement.
 - (c) The GTCL Charter has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GTCL to perform any of its obligations under the GTCL Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The EGCB Subsidiary Agreement has been executed on behalf of the Recipient and EGCB.
 - (b) The PGCB Subsidiary Agreement has been executed on behalf of the Recipient and PGCB.
 - (c) The GTCL Subsidiary Agreement has been executed on behalf of the Recipient and GTCL.

- 5.02. The Additional Legal Matters consist of the following:
- (a) The EGCB Subsidiary Agreement has been duly authorized or ratified by the Recipient and the EGCB and is legally binding upon the Recipient and EGCB in accordance with its terms.
 - (b) The PGCB Subsidiary Agreement has been duly authorized or ratified by the Recipient and the PGCB and is legally binding upon the Recipient and PGCB in accordance with its terms.
 - (c) The GTCL Subsidiary Agreement has been duly authorized or ratified by the Recipient and the GTCL and is legally binding upon the Recipient and GTCL in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Secretary, or the Additional Secretary, or any Joint Secretary, or Deputy Secretary, or Senior Assistant Secretary or Assistant Secretary or Joint Chief, or Deputy Chief or Senior Assistant Chief or Assistant Chief of the Economic Relations Division of the Ministry of Finance.
- 6.02. The Recipient's Address is:

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-E-Bangla Nagar
Dhaka, Bangladesh

Facsimile:

88-02-8113088

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Dhaka, Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By

/s/ Mohammad Mejbahuddin
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Vinaya Swaroop
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase the availability of power at peak times in the Recipient's electricity supply industry and to strengthen the institutional capacity of the Implementing Agencies.

The Project consists of the following parts:

Part A: Power Station

Construction and installation of a 300 MW (plus or minus ten percent, depending on the outcome of a competitive bidding process) gas turbine power station, including a power plant with natural gas-fired gas turbine-driven generator(s), step-up transformers, a black-start diesel generator and works to house the plant, and associated control and protection equipment.

Part B: Transmission Evacuation

Construction and installation of: (a) an 11 km 230 kV double circuit transmission line, with a capacity of 800 MW, between Siddhirganj and Maniknagar; and (b) at Siddhirganj a 230/132 kV air insulated switching substation, and at Maniknagar a 230/132 kV gas insulated switching substation.

Part C: Gas supply Pipeline

Construction of a 60 km, 30 inch diameter high pressure gas pipeline and ancillary equipment to transport gas from Bakhrabad to Siddhirganj.

Part D: Technical assistance

1. Provision of technical advisory services to EGCB: (a) in the operation and maintenance (O&M) of the 300 MW gas turbine plant; and (b) core management information systems (MIS).
2. Provision of technical advisory services to PGCB, including the services of owner's engineer to assist PGCB to finalize design of the line and the substations, and to prepare the bidding documents, evaluate the bids and supervise and manage the two contracts involved in the activities.
3. Provision of technical advisory services to GTCL, including: (a) the services of owner's engineer to assist GTCL in the design of the Part C of the Project, the preparation of the bidding documents, evaluation of the bids, and effecting of a contract, and supervise all activities of the contractor through pipeline commissioning; and (b) core management information systems (MIS).

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through MPEMR, shall monitor the overall implementation of the Project. To that end, MPEMR shall: (a) vest its Power Division with the responsibility of monitoring the aspects relating to EGCB and PGCB; and (b) vest its Energy Division with the responsibility of monitoring the aspects relating to GTCL.
2. The Recipient shall cause the Implementing Agencies: (a) to maintain until the completion of the Project, separate project management units (PMUs), each headed by an appropriately qualified project director, and including an adequate number of procurement and financial management specialists; (b) to maintain accounts receivables at a level not exceeding an amount equivalent to its billing for energy services for the previous three (3) months; and (c) to furnish to the Association not later than December 31 of each year, ten (10) year financial projections, including updated investment and finance plans.
3. The Recipient shall cause the PMUs to be directly supported by the Owner's Engineers in all aspects of design, tendering, negotiation, and implementation of engineering, procurement, and construction contracts.
4. The Recipient shall cause the Implementing Agencies each to maintain a coordinating committee, *inter alia*, for the purpose of flagging critical issues that could result in delaying the smooth operation of the Project.

B. Subsidiary Agreements

1. (a) To facilitate the carrying out of Parts A and D1 of the Project, the Recipient shall make part of the proceeds of the Financing available to EGCB under a subsidiary loan agreement between the Recipient and EGCB, under terms and conditions approved by the Association, which shall include repayment of the loan over a period of twenty (20) years, inclusive of a grace period of five (5) years, with payment of interest on the principal amount of the loan, withdrawn and outstanding, at the rate of three percent (3%) payable on local currency and four percent (4%) on foreign currency ("EGCB Subsidiary Agreement").
- (b) To facilitate the carrying out of Parts B and D2 of the Project, the Recipient shall make part of the proceeds of the Financing available to PGCB under a subsidiary loan agreement between the Recipient and

PGCB, under terms and conditions approved by the Association, which shall include repayment of the loan over a period of twenty (20) years, inclusive of a grace period of five (5) years, with payment of interest on the principal amount of the loan, withdrawn and outstanding, at the rate of three percent (3%) payable on local currency and four percent (4%) on foreign currency (“PGCB Subsidiary Agreement”).

- (c) To facilitate the carrying out of Parts C and D3 of the Project, the Recipient shall make part of the proceeds of the Financing available to GTCL under a subsidiary loan agreement between the Recipient and GTCL, under terms and conditions approved by the Association, which shall include repayment of the loan over a period of twenty (20) years, inclusive of a grace period of five (5) years, with payment of interest on the principal amount of the loan, withdrawn and outstanding, at the rate of four percent (4%) payable on local currency and five percent (5%) on foreign currency (“GTCL Subsidiary Agreement”).

- 2. The Recipient shall exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the TASRCM.

D. Safeguards

The Recipient shall cause each Implementing Agency to: (i) implement the EMP and the RAP, with respect to the Part of the Project each Implementing Agency is carrying out, in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be

furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) prior to commercial operation: implementation progress reports related to physical progress on the project components, on a quarterly basis; and
 - (ii) following declaration of commercial operation: (i) kWh delivered from the power plant constructed under Part A1 of the Project to the Siddhirganj substation on a quarterly basis; (ii) kWh received at Maniknagar through the 230 kV line on a quarterly basis; (iii) total natural gas throughput, expressed in million standard cubic feet, on a quarterly basis.
- 2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall cause each Implementing Agency to maintain a financial management system for the Part of the Project it is carrying out, in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. The Recipient shall cause each Implementing Agency to prepare and furnish to the Association, as part of the Project Report, for the Part of the Project it is carrying out, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for said Part of the Project, covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall cause each Implementing Agency to have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period. In addition, the Recipient shall cause each Implementing Agency to provide the Association, not later than three (3) months from the end of such semester, copies of its internal audit reports for each calendar semester with details of actions taken to address the issues identified in such internal audit reports.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultant's Services.** All goods, works and non-consultant's services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-Consultant's Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding following the Procurement Guidelines.
2. **Procurement of Goods and Works through the Recipient's Procurement Laws.** Within the overall context of Procurement Guidelines, procurement of goods estimated to cost less than US\$300,000 per contract, and works/non-consultant's services estimated to cost less than US\$2,000,000 per contract, shall follow the Recipient's Procurement Laws. The following table specifies the methods of procurement to be used in accordance with the Recipient's Procurement Laws. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding
(b)	National Shopping
(c)	Direct Contracting

For the purpose of National Competitive Bidding, the following shall apply: (a) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder; and (b) bids should be submitted and opened in public in one location immediately after the deadline for submission.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection, following the Consultant Guidelines.
2. **Other Methods of Procurement of Consultants' Services.** Within the overall context of the Consultant Guidelines, local procurement of services of firms (for which the shortlist may be comprised entirely of national consultants) estimated to cost less than US\$200,000 per contract, and services of individual consultants estimated to cost less than US\$50,000 per contract will follow the Recipient's Procurement Laws. The following table specifies methods of procurement, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods	
(a)	Fixed Budget Selection (FBS)
(b)	Least-Cost Selection (LCS)
(c)	Consultant's Qualifications (CQ)
(d)	Single-Source Selection (SSS)
(e)	Individual Consultants (IC)

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) all contracts procured under the Project following the International Competitive Bidding method; (b) the first contract for goods and the first contract for works/non-consultant's services procured by each Implementing Agency following the National Competitive Bidding method, regardless of value, and thereafter all contracts for goods estimated to cost US\$300,000 equivalent or more, regardless of the procedure; (c) each contract for consultants' services provided by a firm, estimated to cost the equivalent of \$100,000 or more; (e) each contract for services of individual consultants, estimated to cost the equivalent of \$50,000 or more; and (f) all contracts for consultants' services

procured under single source selection. All other contracts shall be subject to Post Review by the Association.

E. Other Undertakings

The Recipient shall: (i) implement a Procurement Risk Mitigation Framework, in form and substance acceptable to the Association; (ii) include two (2) members (one procurement and one technical expert) from the respective Implementing Agency's owner's engineer consulting firm as observing members, in each bid evaluation committee for all supply/ installation turnkey contracts; (iii) submit to the Association, on a quarterly basis, a report detailing the procurement process, the implementation of the said Procurement Risk Mitigation Framework and the quality of goods, services and works delivered under the Project, and (iv) cause each Implementing Agency's owner's engineer consulting firm to prepare and submit to the Association a satisfactory report assessing the overall procurement process throughout the Project.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amounts of Credit Allocated (SDR)	Disbursement Percentages
Goods, Works and Consultant's Services	222,600,000	100% exclusive of taxes for Goods and Works and 100% inclusive of taxes for services
Total	222,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$2,000,000 equivalent may be made for payments made prior to this date but on or after September 1, 2008, for Eligible Expenditures related to the Owner's Engineers for PGCB and GTCL.
2. The Closing Date is March 31, 2016.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 1 and August 1:	
commencing February 1, 2019 to and including August 1, 2028	1%
commencing February 1, 2029 to and including August 1, 2048	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “BPDB” means the Bangladesh Power Development Board, established and operating under the laws of the Recipient.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “EGCB” means the Electricity Generation Company of Bangladesh Limited, a subsidiary company of BPDB, incorporated in 2004 under the Laws of the Recipient.
6. “EGCB Subsidiary Agreement” means the agreement referred to in Section I.B.1 (a) of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the EGCB.
7. “EMPs” means the Environmental Management Plans prepared by the Recipient in respect of Parts A, B and C of the Project with the objective of analyzing the environmental and social impacts of Parts A, B and C of the Project, and defining procedures, guidelines, rules and measures to mitigate, reduce and/or offset negative environmental and social impacts of said Parts of the Project, and enhance the environmental and social benefits to be derived from said Parts; as said Plans may be amended and/or supplemented from time to time with the prior concurrence of the Association.
8. “GTCL” means the Gas Transmission Company Limited, a public limited company and subsidiary company of Petrobangla, registered in 1993 as a public limited company under the Recipient’s Companies Act 1913.
9. “GTCL Subsidiary Agreement” means the agreement referred to in Section I.B.1 (c) of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to GTCL.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
11. “Implementing Agencies” means collectively the EGCB, GTCL, and PGCB (as hereinafter defined).
12. “MPEMR” means the Recipient’s Ministry of Power, Energy, and Mineral Resources, and includes any successor thereto.
13. “Operating Costs” means expenditures incurred for the operation and maintenance of facilities, equipment and vehicles used for Project implementation, including, without limitation, office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationery and other office supplies, and costs of translation, printing, photocopying and advertising, and bank charges incurred in connection with the Project
14. “PGCB” means the Power Grid Company of Bangladesh Limited incorporated in 1996 under Recipient’s Companies Act 1994, and entrusted with the responsibility to own the national power grid and to operate and expand the same.
15. “PGCB Subsidiary Agreement” means the agreement referred to in Section I.B.1(b) of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to PGCB.
16. “Procurement Act” means the Recipient’s Public Procurement Act, 2006.
17. “Procurement Laws” means collectively the Procurement Act and the Recipient’s Public Procurement Rules (as hereinafter defined).
18. “Procurement Rules” means the Recipient’s Public Procurement Rules, 2008.
19. “Procurement Risk Mitigation Framework” means the framework of measures and actions, prepared by the Recipient, aimed at mitigating procurement related risks in the carrying out of the Project, and which has been agreed with the Association.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 16, 2008, and referred to in paragraph 1.16 of the

Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “PMUs” means the Project management units referred to in Section I.A.2 of Schedule 2 to this Agreement.
23. “PAPs” means Project-Affected Peoples, including households, business units; workers; owners of land, buildings and other assets affected by the Project; non-resident landowners; non-resident lessees; resident landlords; resident lessees, tenants and sub-tenants; squatters; pavement dwellers; and male and female members of households, their family members and relatives living under their protection or control.
24. “Resettlement Action Plan” or “RAP” means the Resettlement Action Plan, dated June 11, 2008, and issued by the Recipient, giving details of policy provisions and the legal and institutional framework governing resettlement and rehabilitation of PAPs, including the magnitude of land acquisition and displacement, findings of socio-economic surveys and baseline characteristics, organizational responsibilities, the process for resettlement, generic timetable for construction of transit and permanent housing units, consolidated costs and budgets, and performance criteria and process monitoring indicators.
25. “Subsidiary Agreements” means collectively the EGCB Subsidiary Agreement, GTCL Subsidiary Agreement and the PGCB Subsidiary Agreement.
26. “Taka” means the currency of the Recipient.
27. “TASRCM” means the Project’s Transparency and Accountability Strategy and Risk Control Matrix found in the Association’s Project Appraisal Document, Annex 12.